

Exhibit No.:

Issue(s):

Availability Fees/
Capital Structure

Witness/Type of Exhibit: Robertson/True-Up Rebuttal

Sponsoring Party: Public Counsel

Case No.: WR-2013-0461

TRUE-UP REBUTTAL TESTIMONY

OF

TED ROBERTSON

Submitted on Behalf of the Office of the Public Counsel

LAKE REGION WATER & SEWER COMPANY

CASE NO. WR-2013-0461

March 11, 2014


In the Matter of Lake Region Water & Sewer)
Company's Application to Implement a General) File No. WR-2013-0461
Rate Increase in Water and Sewer Service)

STATE OF MISSOURI)
)
COUNTY OF COLE) ss

3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.

Subscribed and sworn to me this 11th day of March 2014.




Jerene A. Buckman
Notary Public

My Commission expires August 23, 2017.

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1 TRUE-UP REBUTTAL TESTIMONY

2 OF

3 TED ROBERTSON

4 LAKE REGION WATER AND SEWER COMPANY

5 CASE NO. WR-2013-0461

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11 I. INTRODUCTION

12 Q. ARE YOU THE SAME TED ROBERTSON THAT HAS PREVIOUSLY FILED TESTIMONY
13 IN THIS CASE?

14 A. Yes.

15
16 II. PURPOSE OF TESTIMONY

17 Q. WHAT IS THE PURPOSE OF YOUR TRUE-UP REBUTTAL TESTIMONY?

18 A. The purpose of this True-Up Rebuttal Testimony is to respond to rate base and capital
19 structure cost of service recommendations proposed by the Missouri Public Service
20 Commission ("MPSC") Staff related to the true-up period (as identified in the True-Up Direct
21 Testimony of MPSC Staff witness, Ms. Kimberly K. Bolin) and how those recommendations
22 affect Public Counsel's position on the ratemaking treatment for availability fees and
23 Company's capital structure.

24
25 III. AVAILABILITY FEES

26 Q. HAS THE MPSC STAFF MODIFIED ITS RATE BASE RECOMMENDATIONS FOR THE
27 COMPANY DUE TO TRUE-UP RELATED CHANGES?

28 A. Yes. As of December 31, 2013, the Company's rate base per the MPSC Staff's True-Up
29 Direct Testimony filing consisted of Horseshoe Bend Sewer - \$1,306,799, Shawnee Bend

1 Sewer - \$121,642, and Shawnee Bend Water - \$1,060,534 for a total rate base of
2 \$2,488,975.

3
4 Q. DO THE MPSC STAFF'S MODIFICATIONS TO COMPANY'S RATE BASE IMPACT THE
5 PUBLIC COUNSEL'S RECOMMENDATION FOR THE RATEMAKING TREATMENT OF
6 AVAILABILITY FEES?

7 A. No. The MPSC Staff's new rate base recommendations do not impact or change the
8 Public Counsel's position that the rate bases of the Shawnee Bend Water and Sewer
9 Systems be further reduced by the excess availability fees I identified in my Surrebuttal
10 Testimony. That is, Public Counsel recommends that the Shawnee Bend Water System
11 rate base be reduced by the inclusion of additional contributions in aid of construction
12 ("CIAC") in the amount of \$331,330 and that the Shawnee Bend Sewer System rate base
13 be reduced by the inclusion of additional CIAC in the amount of \$705,843. However, Public
14 Counsel's recommendation for the net rate base for each utility does change.

15
16 Q. WHAT IS THE COMPANY'S RATE BASE AFTER MAKING THE PUBLIC COUNSEL'S
17 RECOMMENDED ADJUSTMENTS FOR ADDITIONAL CIAC WITHIN THE SHAWNEE
18 BEND JURISDICTION?

19 A. After including the Public Counsel's recommended availability fee adjustments discussed
20 above, the rate bases of the three utilities would consist of Horseshoe Bend Sewer -
21 \$1,306,799, Shawnee Bend Sewer - (\$584,201) (i.e., \$121,642 less \$705,843), and
22 Shawnee Bend Water - \$729,204 (i.e., \$1,060,534 less \$331,330).

23
24 Q. DOES THE PUBLIC COUNSEL STILL RECOMMEND THAT THE SHAWNEE BEND
25 SEWER SYSTEM RATE BASE BE SET AT ZERO EVEN THOUGH IT IS ACTUALLY
26 CALCULATED AS A NEGATIVE?

1 A. Yes.

3 IV. CAPITAL STRUCTURE

4 Q. DID THE COMPANY'S CAPITAL STRUCTURE CHANGE DURING THE TRUE-UP
5 PERIOD?

6 A. Yes. In December 2013, Company acquired an additional loan of \$75,000 from Alterra
7 Bank and that loan along with the continued amortization of the previously discussed
8 Alterra debt resulted in a total loan balance of \$1,451,742.85 at December 31, 2013.

10 Q. DID THE COMPANY RECEIVE COMMISSION AUTHORIZATION TO ENTER INTO THE
11 LOAN FOR THE NEW DEBT?

12 A. I do not believe that it did. Public Counsel is not aware of any new case filing by the utility
13 requesting Commission authorization for the utility to encumber its assets with new debt.

15 Q. SHOULD THE COST OF THE NEW DEBT BE INCLUDED IN THE ANALYSIS OF
16 COMPANY'S CAPITAL STRUCTURE?

17 A. No. Since the Company has not received Commission authorization for the new debt, its
18 actual purpose and status is unknown at this time and it should not be included in the
19 analysis.

21 Q. WHAT IS THE ALTERRA LOAN BALANCE AT DECEMBER 31, 2013 EXCLUDING THE
22 NEW DEBT?

23 A. Per the Company's General Ledger (provided by John Summers via an email on February
24 20, 2014), the Alterra Bank loan balance at that date was \$1,376,743.

1 Q. EXCLUDING THE NEW DEBT WHAT IS THE COMPANY'S CAPITAL STRUCTURE AS
2 OF THE END OF THE TRUE-UP PERIOD?

3 A. As I discussed above, as of December 31, 2013, the Company's rate base per the MPSC
4 Staff's True-Up Direct Testimony filing totals \$2,488,975 (Public Counsel does have a few
5 issues with the MPSC Staff's rate base recommendations and OPC witnesses, Keri Roth
6 and William Addo, have filed testimony addressing those issues, but the issues are
7 relatively immaterial for purposes of this analysis). After including the Public Counsel's
8 recommended availability fee adjustments, the individual rate bases of the three utilities
9 would consist of Horseshoe Bend Sewer - \$1,306,799, Shawnee Bend Sewer - (\$584,201)
10 (i.e., \$121,642 less \$705,843), and Shawnee Bend Water - \$729,204 (i.e., \$1,060,534 less
11 \$331,330). Since the CIAC adjustment drives the Shawnee Bend Sewer rate base
12 negative no return, i.e., neither debt or equity, should be authorized for that system, but the
13 total rate base for the two remaining systems equals \$2,036,003. Thus, \$2,036,003 is the
14 rate base supported by the Commission authorized Alterra Bank December 31, 2013 loan
15 balance of \$1,376,743 and shareholder equity. Dividing the loan balance by the
16 Company's total rate base shows that the Company's capital structure at the end of the
17 true-up period is 67.62% debt and 32.38% equity.

18
19 Q. DOES THIS CONCLUDE YOUR TRUE-UP REBUTTAL TESTIMONY?

20 A. Yes, it does.
21
22